Universal PropTech Inc.

(formerly SustainCo Inc.)

Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Universal PropTech Inc. (formerly SustainCo Inc.).

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Universal PropTech Inc. (formerly SustainCo Inc.)
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at February 28, 2021	As at August 31, 2020
	$	$
Assets		
Current Assets		
Cash	**1,334,825**	804,794
Accounts receivable (Note 13)	**1,654,414**	1,932,292
Unbilled receivables (Note 21)	**128,151**	281,571
Inventories (Note 4)	**193,037**	197,993
Prepaid expenses	**194,269**	99,122
Total Current Assets	**3,504,696**	3,315,772
Investments (Note 5)	**1,000,000**	-
Property and equipment (Note 6)	**523,867**	605,919
Total assets	**5,028,563**	3,921,691
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**772,383**	1,142,154
Income tax payable	**115,580**	-
Deferred revenue (Note 21)	**175,554**	164,077
Finance lease obligations – current (Note 7)	**195,575**	219,506
Total Current Liabilities	**1,259,092**	1,525,737
Finance lease obligations (Note 7)	**266,547**	336,884
Convertible debentures (Note 8)	**176,658**	784,051
Total Liabilities	**1,702,297**	2,646,672
Shareholders' Equity		
Share capital (Note 9)	**22,441,663**	21,011,132
Equity component of convertible debentures (Note 8)	**3,391**	16,105
Share-based payments reserve (Note 10)	**2,058,733**	1,777,174
Warrants reserve (Note 11)	**1,011,746**	657,616
Accumulated deficit	**(22,139,267)**	(22,187,008)
Total Shareholders' Equity	**3,376,266**	1,275,019
Total Liabilities and Shareholders' Equity	**5,078,563**	3,921,691

Nature of operations (Note 1)
Contingent liabilities and commitments (Note 19)
Subsequent events (Note 23)

Approved on behalf of the Board of Directors:

"Christopher Hazelton" (signed)	*"Al Quong" (signed)*
Director	Director

Universal PropTech Inc. (formerly SustainCo Inc.)
Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and six months ended February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

	Three months ended February 28, 2021	Three months ended February 29, 2020	**Six months ended February 28, 2021**	Six months ended February 29, 2020
	$	$	**$**	$
Revenues (Note 15)	**1,611,501**	2,139,824	**3,994,163**	6,528,499
Cost of sales (Note 4)	**(994,564)**	(1,612,028)	**(2,559,156)**	(5,447,623)
Gross Profit	**616,937**	527,796	**1,435,007**	1,080,876
Expenses				
General and administrative (Note 16)	**774,189**	842,382	**1,244,560**	1,510,854
Stock-based payments (Notes 10 and 14)	**265,717**	-	**311,776**	-
Depreciation (Note 6)	**55,292**	65,961	**120,335**	134,263
Finance expense (Notes 7 and 8)	**31,976**	20,618	**93,274**	38,720
Inventory provision (Note 4)	**18**	-	**1,684**	-
Gain on disposal of equipment	**(9,923)**	(6,582)	**(9,923)**	(6,582)
Government assistance (Note 17)	**(217,175)**	-	**(473,549)**	-
Total Expenses	**(900,094)**	(922,379)	**(1,288,157)**	(1,677,255)
Net Income (Loss) from Continuing Operations before Taxes	**(283,157)**	(394,583)	**146,050**	(596,379)
Current income tax recovery (expense)	**16,471**	-	**(99,109)**	-
Net Income (Loss) from Continuing Operations	**(266,686)**	(394,583)	**47,741**	(596,379)
Income from discontinued operations (Note 18)	**-**	735	**-**	939
Net Income (Loss) and Comprehensive Income (Loss)	**(266,686)**	(393,848)	**47,741**	(595,440)
Net Income (Loss) per Share				
Basic – continuing operations	**(0.01)**	(0.03)	**0.00**	(0.04)
Diluted – continuing operations	**(0.01)**	(0.03)	**0.00**	(0.04)
Basic and diluted - discontinued operations	**-**	0.00	**-**	0.00
Weighted average shares outstanding – Basic	**27,389,266**	15,776,223	**21,550,664**	15,776,223
Weighted average shares outstanding – Diluted	**36,808,152**	15,776,223	**30,969,551**	15,776,223

Universal PropTech Inc. (formerly SustainCo Inc.)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the six months ended February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

	Six months ended February 28, 2021	Six Months ended February 29, 2020
	$	$
Operating Activities		
Net income (loss) from continuing operations for the period	**47,741**	(596,379)
Adjustments for non-cash items:		
Interest and accretion (Notes 7 and 8)	**89,318**	34,292
Depreciation (Note 6)	**120,335**	134,263
Inventory provision (Note 4)	**1,684**	-
Stock-based compensation (Note 10)	**311,776**	-
Shares issued for services performed (Note 9)	**33,900**	-
Gain on disposal of equipment	**(9,923)**	(6,582)
Income tax provision	**99,109**	-
	693,940	(434,406)
Changes in non-cash working capital:		
Accounts receivable (Note 13)	**277,878**	1,621,592
Unbilled receivables (Note 21)	**153,420**	(184,790)
Inventories	**3,272**	8,729
Prepaid expenses	**(95,147)**	(116)
Accounts payable and accrued liabilities	**(419,771)**	(615,031)
Deferred revenue (Note 21)	**11,477**	(382,848)
Income tax payable	**16,471**	-
Net cash provided by (used in) operating activities - continuing operations	**641,540**	13,130
Net cash provided by operating activities - discontinued operations	**-**	(8,997)
Net Cash Provided by Operating Activities	**641,540**	4,133
Financing Activities		
Proceeds from private placement (Note 9)	**845,834**	-
Issuance costs paid on private placement (Note 9)	**(89,076)**	-
Interest payment on debentures (Note 8)	**(50,625)**	-
Proceeds from exercise of stock options (Note 9)	**37,500**	-
Proceeds from exercise of warrants (Note 9)	**291,868**	-
Payment of finance lease obligations (Note 7)	**(128,470)**	(137,975)
Net Cash Provided by (Used in) Financing Activities	**907,031**	(137,975)
Investing Activities		
Acquisition of minority interest in investments (Note 5)	**(1,000,000)**	-
Additions of property and equipment (Note 6)	**(28,463)**	(15,746)
Proceeds from sale of property and equipment	**9,923**	8,576
Net Cash (Used in) Investing Activities	**(1,018,540)**	(7,170)
Increase (decrease) in Cash	**530,031**	(141,012)
Cash, beginning of period	**804,794**	276,603
Cash, end of period	**1,334,825**	135,591

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Universal PropTech Inc. **(formerly SustainCo Inc.)**
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholder's Equity
For the six months ended February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

	Share Capital		Equity Component of Convertible Debentures	Share-Based Payment Reserve	Warrants Reserve	Deficit	Total
	#	$	$	$	$	$	$
Balance, August 31, 2019	**15,776,223**	**21,011,132**	**-**	**1,754,156**	**475,000**	**(21,011,038)**	**2,229,250**
Net loss for the period		-	-	-	-	(595,440)	(595,440)
Balance, February 29, 2020	**15,776,223**	**21,011,132**	**-**	**1,754,156**	**475,000**	**(21,606,478)**	**1,633,810**
Balance, August 31, 2020	**15,776,223**	**21,011,132**	**16,105**	**1,777,174**	**657,616**	**(22,187,008)**	**1,275,019**
Issuance of shares for services (Note 9)	91,354	33,900	-	-	-	-	33,900
Issuance of shares from private placements (Notes 9 and 11)	4,027,779	590,816	-	-	255,018	-	845,834
Issuance of compensation options from private placements (Note 11)	-	-	-	-	191,515	-	191,515
Share issue costs (Notes 9 and 11)	-	(195,992)	-	-	(84,598)	-	(280,590)
Issuance of shares on debenture conversion (Notes 8 and 9)	16,735,482	634,418	(12,714)	-	-	-	621,704
Share-based payments (Note 9)	-	-	-	311,775	-	-	311,775
Issuance of shares on exercises of options (Notes 9 and 10)	250,000	67,716	-	(30,216)	-	-	37,500
Issuance of shares on exercises of warrants (Notes 9 and 11)	2,918,679	299,673	-	-	(7,805)	-	291,868
Net income for the period	-	-	-	-	-	47,741	47,741
Balance, February 28, 2021	**39,799,517**	**22,441,663**	**3,391**	**2,058,733**	**1,011,746**	**(22,139,267)**	**3,376,266**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. Nature of Operations and Going Concern

Universal PropTech Inc. (formerly SustainCo Inc.) ("UPI" or the "Company") was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 1 Royal Gate Blvd., Suite D, Vaughan, Ontario, Canada, L4L 8Z7. UPI's common shares are listed on the TSX Venture Exchange under the ticker symbol "UPI". The Company's common shares are also listed in the United States on the OTCQB® Venture Market under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is a building innovation company, selecting, integrating, deploying, and maintaining proptech technologies ("PropTech") aiming to deliver customer-centric building solutions and services. The Company conducts its operations through its wholly-owned subsidiary VCI Controls Inc. ("VCI"). VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's service offering is focused on delivering solutions in digital controls, mechanical services, performance monitoring, and energy efficiency solutions.

On November 27, 2020, the Company changed its name to Universal PropTech Inc.

These unaudited condensed interim consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon the Company's ability to increase revenues and to decrease costs and to obtain additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful in the future. Failure to obtain such financing could result in delay or indefinite postponement of the Company's strategic goals, and the continued evolution of the COVID-19 pandemic represent material uncertainties which may cast doubt upon the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34").

These unaudited condensed interim consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on April 28, 2021.

(b) Basis of Measurement and Functional Currency

These unaudited condensed interim consolidated financial statements are prepared on the historical cost basis. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiary, unless otherwise noted. The functional currency is the currency of the primary economic environment in which the Company operates.

(c) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and VCI. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended August 31, 2020, unless otherwise noted below.

(a) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations. The global pandemic outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Company remains uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the unaudited condensed interim consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Allowances for expected credit losses

An expected credit losses ("ECL") impairment model applies which requires a loss allowance to be recognized based on ECL. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Summary of Significant Accounting Policies (continued)

(a) Significant Accounting Judgments and Estimates (continued)

Stock-based compensation

The Company uses the Black-Scholes pricing model ("Black-Scholes") to determine the amount of stock-based compensation. Such models require assumptions related to share price volatility, expected life of options and discount rate. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Deferred income taxes

Management uses estimates when determining deferred income assets and liabilities. Provisions for taxes are made by management using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Percentage of completion

The Company measures the percentage of completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 19. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

(b) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2020:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company had assessed that there was no material impact upon adoption of these amendments on its consolidated financial statements.

3. Summary of Significant Accounting Policies (continued)

(c) Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim consolidated financial statements, the IASB and the IFRS Interpretations Committee have issued the following amendments which are effective for annual periods beginning on or after September 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its consolidated financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

4. Inventories

The Company maintains inventories, which consist of raw materials, equipment, and spare parts for sale or for use.

During the six months ended February 28, 2021, the total raw materials, equipment, and spare parts charged to cost of sales was $527,750 (2020 – $1,083,032).

Inventories are stated at the lower of cost or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. During the six months ended February 28, 2021, the Company recorded a write-down of $1,684 (2020 – $nil) on its inventories.

5. Investments

On February 18, 2021, the Company acquired a minority interest in ISBRG Corp. ("ISBRG") by subscribing for Class A Common Shares of ISBRG for $1,000,000. ISBRG is a healthcare data analytics company with a proprietary technology platform capable of accessing and processing health data from an individual within seconds, non-invasively and at nominal incremental cost. ISBRG's first application of this proprietary technology platform, SpotLight-19©, has proof of concept, and is in the field to further develop and determine the sensitivity and specificity of the device which will be compared to the accuracy of PCR tests in upcoming trials which are subject to authorization by Health Canada and REB review.

In connection with the acquisition of the minority interest, the Company and ISBRG had also entered into a sales agency agreement (the "Agreement"), whereby the Company has agreed to act as the exclusive authorized sales agent for ISBRG for securing contracts solely for the sale of ISBRG's SpotLight-19© products, subject to the terms and conditions set forth in the Agreement. ISBRG will pay the Company a defined commission on the annual sub license fee paid by each customer, and a commission on each test fee. The Company's exclusive markets are any and all governmental facilities in Canada (subject to the exclusion of certain segments), including federal, provincial, territorial and municipal facilities, as well as Canadian primary, secondary and post-secondary education facilities (both private and public).

(Expressed in Canadian Dollars)

6. Property and Equipment

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Building & Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, August 31, 2019	**171,985**	**125,875**	**20,259**	**234,809**	**11,260**	**564,188**
Change in accounting policy IFRS 16	-	-	190,868	-	497,011	687,879
Adjusted balance, September 1, 2019	**171,985**	**125,875**	**211,127**	**234,809**	**508,271**	**1,252,067**
Additions for the year	11,489	13,295	1,107	1,763	-	27,654
Additions for ROU assets	-	-	74,519	-	-	74,519
Disposals	-	(6,030)	(9,967)	-	-	(15,997)
Balance, August 31, 2020	**183,474**	**133,140**	**276,786**	**236,572**	**508,271**	**1,338,243**
Additions for the period	420	24,248	3,795	-	-	28,463
Additions for ROU assets	-	-	37,257	-	-	37,257
Termination of lease	-	-	(48,498)	-	-	(48,498)
Balance, February 28, 2021	**183,894**	**157,388**	**269,340**	**236,572**	**508,271**	**1,355,465**
Accumulated depreciation						
Balance, August 31, 2019	**144,592**	**97,300**	**12,896**	**210,585**	**9,429**	**474,802**
Depreciation for the year	10,145	15,044	1,879	2,242	523	29,833
Depreciation of ROU assets	-	-	93,656	-	143,454	237,110
Disposals for the year	-	(3,584)	(5,837)	-	-	(9,421)
Balance, August 31, 2020	**154,737**	**108,760**	**102,594**	**212,827**	**153,406**	**732,324**
Depreciation for the period	4,830	4,853	646	960	261	11,550
Termination of lease	-	-	(21,062)	-	-	(21,062)
Depreciation of ROU assets	-	-	37,059	-	71,727	108,786
Balance, February 28, 2021	**159,567**	**113,613**	**119,237**	**213,787**	**225,394**	**831,599**
Net book value						
Balance, August 31, 2020	28,737	24,380	174,192	23,745	354,865	605,919
Balance, February 28, 2021	**24,327**	**43,775**	**150,103**	**22,785**	**282,877**	**523,867**

7. Finance Lease Obligations

The carrying amounts of the Company's lease obligations and movements during the six months ended February 28, 2021 were as follows:

	$
Balance, August 31, 2020	**556,390**
Additions of leases	37,257
Termination of leases	(27,960)
Interest on lease obligations	24,905
Lease payments	(128,470)
Balance, February 28, 2021	**462,122**

	$
Current portion	195,575
Long-term portion	266,547
	462,122

(Expressed in Canadian Dollars)

8. Convertible Debentures

On July 14, 2020, the Company closed a non-brokered private placement (the "Private Placement") of a Series A secured convertible debentures (each, a "Convertible Debenture"), for proceeds in the principal amount of $1,059,942.

The principal amount of the Convertible Debentures will be repaid, in cash, by the Company on the third anniversary of issuance (the "Maturity Date") and will carry an interest rate of 12% per year compounded monthly and payable at the Maturity Date. The Convertible Debentures are convertible into common shares of the Company at $0.05 per share for the first year the Convertible Debentures are outstanding, and at $0.10 per share thereafter.

In addition, each $1,000 of principal amount of the Convertible Debentures was issued 10,000 common share purchase warrants (each, a "Warrant"), for an aggregate of 10,599,422 Warrants issued. Each Warrant is exercisable into one common share at an exercise price of $0.10 per common share for a period of three years from the date of issuance.

The Convertible Debentures are secured by way of a general security agreement made in favour of a collateral agent acting as agent for all of the holders of the Convertible Debentures, granting a security interest in substantially all of the Company's assets. The Company will have the right to prepay any or part of the Convertible Debentures at any time prior to the Maturity Date by paying the principal amount of the Convertible Debentures.

In connection with the Private Placement, the Company paid total cash-based transaction costs of $100,559, including a cash finders' fee of $84,795, and issued 1,695,907 finders' warrants valued at $171,746 for total transaction costs of $272,305.

The liability portion of the Convertible Debentures was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 14%. The rate is estimated to be equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option.

The difference between the principal amount of the Convertible Debentures and the discounted cash flows is allocated to the conversion feature and warrants, both of which are classified within equity, using the residual value method. The issuance costs directly attributable to the offering were allocated to the liability, the equity portion of the Convertible Debentures, and warrants reserves. On initial recognition, the conversion feature of the Convertible Debentures was allocated a value of $16,105, net of issuance costs of $5,568, under the residual value method on a pro-rate basis relative to the fair value of the conversion feature and the Warrants. Accretion of the liability portion and interest payable on the Convertible Debentures are included in finance expense in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss).

The following table reflects the continuity of the Convertible Debentures as at February 28, 2021:

	$
Balance, August 31, 2019	**-**
Face value of the debentures issued	1,059,942
Discount at 14% (attributed to warrant and conversion feature)	(36,301)
Issuance costs allocated to debt component	(262,979)
Accrued interest	16,787
Accretion	6,602
Balance, August 31, 2020	**784,051**
Conversion into common shares (Note 9)	(634,418)
Accrued interest	17,364
Accretion	60,286
Interest payment	(50,625)
Balance, February 28, 2021	**176,658**

(Expressed in Canadian Dollars)

9. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares.

Share capital transactions for the six months ended February 28, 2021

On January 8, 2021, the Company completed a non-brokered private placement offering (the "Offering") of 4,027,779 units ("Units") at a price of $0.21 per Unit, for gross proceeds of $845,833. Each Unit is comprised of one common share of the Company and one-half (1/2) of a Warrant exercisable at $0.30 for a period of two years from closing. In connection with the Offering, the Company paid cash commissions of $67,667, representing fees of 8% of the gross proceeds of the Offering introduced by the finders. In addition, the Company issued 322,222 compensation options ("Compensation Options") (see Note 11 for details).

On December 10, 2020, the Company issued 60,536 common shares to an online advertising and marketing agency (the "Advertising Agency") pursuant to the terms of a service agreement. The common shares were valued at $16,950 based on the fair value of the services received.

On February 26, 2021, the Company issued another 30,818 common shares to the Advertising Agency, which were also valued at $16,950 based on the fair value of the services received.

During the six months ended February 28, 2021, a principal amount of $836,774 of the Convertible Debenture were converted into 16,735,482 common shares of the Company at a conversion price of $0.05 per share.

During the six months ended February 28, 2021, the Company issued 250,000 common shares as a result of the exercise of stock options for cash proceeds of $37,500.

During the six months ended February 28, 2021, the Company also issued 2,918,679 common shares as a result of the exercise of warrants for cash proceeds of $291,868.

Share capital transactions for the six months ended February 29, 2020

There were no share capital transactions during the six months ended February 29, 2020.

10. Share-Based Payments Reserve

The Company adopted a stock option plan (the "Option Plan") under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of five years and vest as determined at the discretion of the Board of the Company. Under the Option Plan, the exercise price of each option may not be less than the discounted fair market value of the common shares on the date of grant.

The following summarizes the stock option activity for the six months ended February 28, 2021 and February 29, 2020:

	February 28, 2021		February 29, 2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**1,300,000**	**0.17**	772,500	0.32
Granted	**1,685,000**	**0.30**	-	-
Exercised	**(250,000)**	**0.15**	-	-
Outstanding, end of period	**2,735,000**	**0.25**	772,500	0.32
Exercisable, end of period	**1,843,000**	**0.24**	772,500	0.32

(Expressed in Canadian Dollars)

10. Share-Based Payments Reserve (continued)

Option grants for the six months ended February 28, 2021

On October 27, 2020, the Company granted 270,000 options to an officer and an advisory board member at an exercise price of $0.30, expiring on October 27, 2023. The options vest in the following schedule: 30% immediately, 35% on the 6-month anniversary of grant, and 35% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 181%, expected dividend yield of 0%, risk-free interest rate of 0.25% and an expected life of three years. The grant date fair value attributable to these options was $67,823, of which $44,584 was recorded as stock-based compensation in connection with the vesting of these options during the six months ended February 28, 2021.

On December 15, 2020, the Company granted 535,000 options to an officer and a consultant at an exercise price of $0.30, expiring on December 15, 2023. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 168%, expected dividend yield of 0%, risk-free interest rate of 0.30% and an expected life of three years. The grant date fair value attributable to these options of $132,309 was recorded as stock-based compensation in connection with the vesting of these options during the six months ended February 28, 2021.

On February 2, 2021, the Company granted 880,000 options to various officers, directors and consultants at an exercise price of $0.30, expiring on February 2, 2024. The options vest in the following schedule: 40% immediately, 30% on the 6-month anniversary of grant, and 30% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 167%, expected dividend yield of 0%, risk-free interest rate of 0.20% and an expected life of three years. The grant date fair value attributable to these options was $204,844, of which $95,142 was recorded as stock-based compensation in connection with the vesting of these options during the six months ended February 28, 2021.

During the six months ended February 28, 2021, the Company also recorded stock-based compensation of $39,741 (2020 – $nil) in connection with the vesting of options which were granted prior to September 1, 2020.

The following table summarizes information of stock options outstanding and exercisable as at February 28, 2021:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
August 15, 2022	450,000	450,000	0.15	1.46
August 23, 2023	600,000	425,000	0.20	2.49
October 27, 2023	270,000	81,000	0.30	2.66
December 15, 2023	535,000	535,000	0.30	2.79
February 2, 2024	880,000	352,000	0.30	2.93
	2,735,000	**1,843,000**	**0.25**	**2.54**

(Expressed in Canadian Dollars)

11. Warrants Reserve

The following summarizes the warrant activity for the six months ended February 28, 2021 and February 29, 2020:

	February 28, 2021		February 29, 2020	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**13,547,079**	**0.15**	1,251,750	0.65
Issued	**2,013,892**	**0.30**	-	-
Issued	**322,222**	**0.21**	-	-
Exercised	**(2,918,679)**	**0.10**	-	-
Outstanding, end of period	**12,964,514**	**0.19**	1,251,750	0.65

Warrant issuances for the six months ended February 28, 2021

On January 8, 2021, the Company issued 2,013,892 Warrants in conjunction with the Offering, as disclosed in Note 9. Each Warrant is exercisable at $0.30 to purchase one common share of the Company for a period of two years after closing of the Offering. The grant date fair value of the Warrants was estimated to be $255,018 using Black-Scholes with the following assumptions: expected volatility of 190%, expected dividend yield of 0%, risk-free interest rate of 0.19% and an expected life of two years.

In connection with the Offering, 322,222 Compensation Options were issued to the finders, representing 8% of the number of Units sold to subscribers introduced by finders. Each Compensation Option entitles the holder thereof to purchase a Unit, each comprised of one common share and one Warrant, at a price of $0.21 for a period of two years from closing of the Offering. Each underlying warrant is exercisable for $0.30 to purchase one common share of the Company for a period of two years from closing of the Offering. The grant date fair value of the Compensation Options was estimated to be $191,515 using Black-Scholes with the following assumptions: expected volatility of 190%, expected dividend yield of 0%, risk-free interest rate of 0.19% and an expected life of two years.

The following summarizes the information of warrants outstanding as at February 28, 2021:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
August 8, 2021	1,251,750	0.65	0.44
January 8, 2023	2,013,892	0.30	1.86
January 8, 2023	322,222	0.21	1.86
July 14, 2023	9,376,650	0.10	2.37
	12,964,514	**0.19**	**2.09**

12. Capital Management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

(Expressed in Canadian Dollars)

12. Capital Management (continued)

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged during the six months ended February 28, 2021, and the year ended August 31, 2020.

13. Financial Instruments and Risk Management

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company monitors and manages its cash flows to assess the liquidity necessary to fund operations.

As at February 28, 2021, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	722,384	-	-	**722,384**
Convertible debentures	-	319,309	-	**319,309**
Lease commitments	152,603	431,437	21,503	**605,543**
Total	**874,987**	**750,746**	**21,503**	**1,647,236**

Credit risk

The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis.

Accounts receivable is subject the Company to credit risk. The Company believes the recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

The Company's aging of accounts receivable as at February 28, 2021 and August 31, 2020 is as follows:

Accounts Receivable Aging	**February 28, 2021**	August 31, 2020
	$	$
Within 30 days	**1,047,595**	817,919
31 to 60 days	**333,767**	435,137
61 to 90 days	**152,305**	321,820
Over 90 days	**56,349**	283,367
Holdbacks	**79,718**	90,564
Expected credit loss	**(15,320)**	(16,515)
Total Accounts Receivable	**1,654,414**	1,932,292

The maximum exposure is limited to the carrying amount of financial assets on the unaudited condensed interim consolidated statements of financial position that includes cash and accounts receivable. As at February 28, 2021, an allowance for ECL of $15,320 (August 31, 2020 – $16,515) has been netted against accounts receivable.

13. Financial Instruments and Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates. As at February 28, 2021, the Company had no hedging agreements in place with respect to floating interest rates.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for more than 32% of gross revenue for the six months ended February 28, 2021 (2019 – 25% of gross revenue).

As at February 28, 2021, one particular customer account comprises of approximately 18% of total outstanding accounts receivable, all of which is within 90 days aging.

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, accounts receivable (excluding HST), investments, accounts payables and accrued liabilities, convertible debentures and leases payable.

The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair value of the convertible debenture was determined on its initial recognition using a discount rate of 14%. The Company does not believe this rate would have changed since initial recognition. The carrying value of the convertible debenture differs from its fair value because of the allocation of issuance costs (see Note 8).

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at February 28, 2021, the Company's financial instruments carried at fair value consisted of its investments, which have been classified as Level 3 (for investments in a private-owned entity).

(Expressed in Canadian Dollars)

14. Key Management Compensation and Related Party Transactions

Key management personnel compensation

Key management includes the Company's directors and officers with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The remuneration for members of key management personnel and directors during the six months ended February 28, 2021 and February 29, 2020 were as follows:

	2021	2020
	$	$
Management remuneration	**99,000**	170,500
Professional fees	**28,500**	3,000
Stock-based compensation (Note 10)	**129,381**	-
	256,881	173,500

Management remuneration

Remuneration of key management personnel of the Company for the six months ended February 28, 2021, included $99,000 of short-term compensation (2020 – $170,500). As at February 28, 2021, no balance was owed to any key management personnel (August 31, 2020 – $nil).

Management service agreement

On June 8, 2020, the Company and Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed, entered into a management services agreement, providing for CFO services to the Company, as well as other accounting and administrative services, which are included in professional fees. In consideration for the services provided, the Company agreed to pay an annual fee of $55,000. Effective February 1, 2021, the annual fee was amended to $67,000. During the six months ended February 28, 2021, the Company was charged $28,500 (2020 – $3,000) for services provided by Branson. As at February 28, 2021, no balance was owed to Branson (August 31, 2020 – $6,388 included in accounts payable and accrued liabilities).

Stock-based compensation

On August 26, 2020, the Company granted 600,000 options, of which 200,000 options were granted to a director and an officer of the Company. During the six months ended February 28, 2021, stock-based compensation of $12,549 attributable to these options was recorded in connection with the vesting of options.

On October 27, 2020, the Company granted 270,000 options, of which 135,000 options were granted to the Chief Executive Officer of UPI. During the six months ended February 28, 2021, stock-based compensation of $22,292 attributable to these options was recorded in connection with the vesting of options.

On December 15, 2020, the Company granted 535,000 options, of which 85,000 options were granted to the Chief Growth Officer of UPI. During the six months ended February 28, 2021, stock-based compensation of $21,021 attributable to these options was recorded in connection with the vesting of options.

On February 2, 2021, the Company granted 880,000 options, of which 680,000 options were granted to certain officers and directors. During the six months ended February 28, 2021, stock-based compensation of $73,519 attributable to these options was recorded in connection with the vesting of options.

(Expressed in Canadian Dollars)

15. Revenues

The Company's revenues from continuing operations for the six months ended February 28, 2021 and February 29, 2020 were comprised of the following:

	2021	2020
	$	$
Construction and other project revenue	**2,199,713**	4,876,277
Repairs revenue	**511,336**	488,786
Service revenue	**1,283,114**	1,163,436
	3,994,163	6,528,499

16. General and Administrative Expenses

General and administrative expenses for the six months ended February 28, 2021 and February 29, 2020 were comprised of the following:

	2021	2020
	$	$
Salaries and wages	**747,319**	1,036,888
Office expenses	**256,048**	265,982
Professional and consulting fees	**214,127**	180,184
Marketing and sales	**63,655**	-
Travel	**(2,844)**	13,122
Bad debt (recovery) expense	**(33,745)**	14,678
	1,244,560	1,510,854

17. Government Assistance

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS"), which provides a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their payroll. To qualify for the CEWS, companies must satisfy certain eligibility criteria, including among others, a significant decline in revenue as compared to earlier periods. Eligible employers will have to sustain losses of "qualifying revenues" that meet pre-determined thresholds during the eligible periods.

During the period ended February 28, 2021, the Company had also applied for the Canada Emergency Rent Subsidy ("CERS"), which provides eligible Canadian businesses, non-profit organizations, or charities who have seen a drop in revenue due to the COVID-19 pandemic for a subsidy to cover part of their commercial rent or property expenses, starting on September 27, 2020 until June of 2021. The CERS provides payments directly to qualifying renters and property owners, without requiring the participation of landlords.

During the six months ended February 28, 2021, the Company received CEWS funding of $434,946 (2020 – $nil) and CERS funding of $38,603 (2020 – $nil), respectively, which has been recorded as government assistance on the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss).

18. Discontinued Operations

In April 2020, the Company entered into a definitive agreement (the "Agreement") with Groundheat Solar Wind Corp. (the "Purchaser") that provides for the sale (the "Transaction") of all of the issued and outstanding shares of its wholly-owned subsidiary, Clean Energy Development Corp. ("CleanEnergy"), in consideration for which the Purchaser paid the Company an aggregate purchase price of $50,000 in cash.

(Expressed in Canadian Dollars)

18. Discontinued Operations (continued)

The Transaction closed on April 27, 2020. As a result, the financial results of CleanEnergy have been re-presented as discontinued operations on the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) and cash flows, for the six months ended February 29, 2020. The Company's existing business continues to be operated through VCI.

19. Contingent Liabilities and Commitments

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity or results of operations.

20. Segmented Information

The Company's segments have been organized based on its principal business operations (Corporate, and Controls and Mechanical Contracting), all within Canada. The Geoexchange Services operations had been discontinued with the sale of CleanEnergy.

Six months ended February 28, 2021

	Corporate	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	28,463	28,463
Total assets	1,361,879	3,666,684	5,028,563
Statement of Operations			
Revenue	-	3,994,163	3,994,163
Cost of sales	-	(2,559,156)	(2,559,156)
General and administrative	(463,652)	(780,908)	(1,244,560)
Depreciation	-	(120,335)	(120,335)
Finance expense	(65,640)	(27,634)	(93,274)
Inventory provision	-	(1,684)	(1,684)
Stock-based compensation	(311,776)	-	(311,776)
Government assistance	-	473,549	473,549
Gain on disposal of equipment	-	9,923	9,923
Current income tax	-	(99,109)	(99,109)
Segmented Income (Loss)	**(841,068)**	**888,809**	**47,741**

(Expressed in Canadian Dollars)

20. Segmented Information (continued)

Six months ended February 29, 2020

	Corporate	Controls and Mechanical Contracting	Geoexchange Services	Total
	$	$	$	$
Capital expenditures	-	15,746	-	15,746
Total assets	63,540	4,758,211	18,392	4,840,143
Statement of operations				
Revenue	-	6,528,499	-	6,528,499
Cost of sales	-	(5,447,623)	-	(5,447,623)
General and administrative	(426,423)	(1,084,431)	-	(1,510,854)
Depreciation	-	(134,263)	-	(134,263)
Finance expense	(165)	(38,555)	-	(38,720)
Gain on disposal of equipment	-	6,582	-	6,582
Discontinued operations (Note 19)	-	-	939	939
Segmented (Loss) Income	**(426,588)**	**(169,791)**	**939**	**(595,440)**

21. Unbilled Receivables and Deferred Revenue

Unbilled receivables

	$
Balance, August 31, 2019	**464,943**
Excess of billings over revenue earned	(183,372)
Balance, August 31, 2020	**281,571**
Excess of billings over revenue earned	(153,420)
Balance, February 28, 2021	**128,151**

Deferred revenue

	$
Balance, August 31, 2019	**863,696**
Excess of revenue earned over billings	(699,619)
Balance, August 31, 2020	**164,077**
Excess of billings over revenue earned	11,477
Balance, February 28, 2021	**175,554**

22. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period’s presentation on the unaudited condensed interim consolidated financial statements. Net loss previously reported has not been affected by this reclassification.

23. Subsequent Events

On March 8, 2021, the Company granted 500,000 options to a consultant. The options are exercisable at an exercise price of $0.45 per common share for a period of three years. The options vested immediately on grant.

23. Subsequent Events (continued)

On March 16, 2021, the Company granted 400,000 options to a consultant. The options are exercisable at an exercise price of $0.45 per common share for a period of three years. The options vested immediately on grant.

On April 16, 2021, the Company granted 100,000 options to an employee. The options are exercisable at an exercise price of $0.45 per common share for a period of three years. The options vest in the following schedule: 30% immediately, 30% on the 6-month anniversary of grant, and 40% on the 1-year anniversary of grant.

Subsequent to February 28, 2021, the Company issued 165,000 common shares as a result of the exercise of options for cash proceeds of $28,000.

Subsequent to February 28, 2021, the Company issued 3,784,701 common shares as a result of the exercise of warrants for cash proceeds of $378,470.

Subsequent to February 28, 2021, a principal amount of $145,901 of the Convertible Debentures was converted into 2,918,022 common shares of the Company at a conversion price of $0.05 per share. A remaining principal amount of $77,267 had also been redeemed for cash.